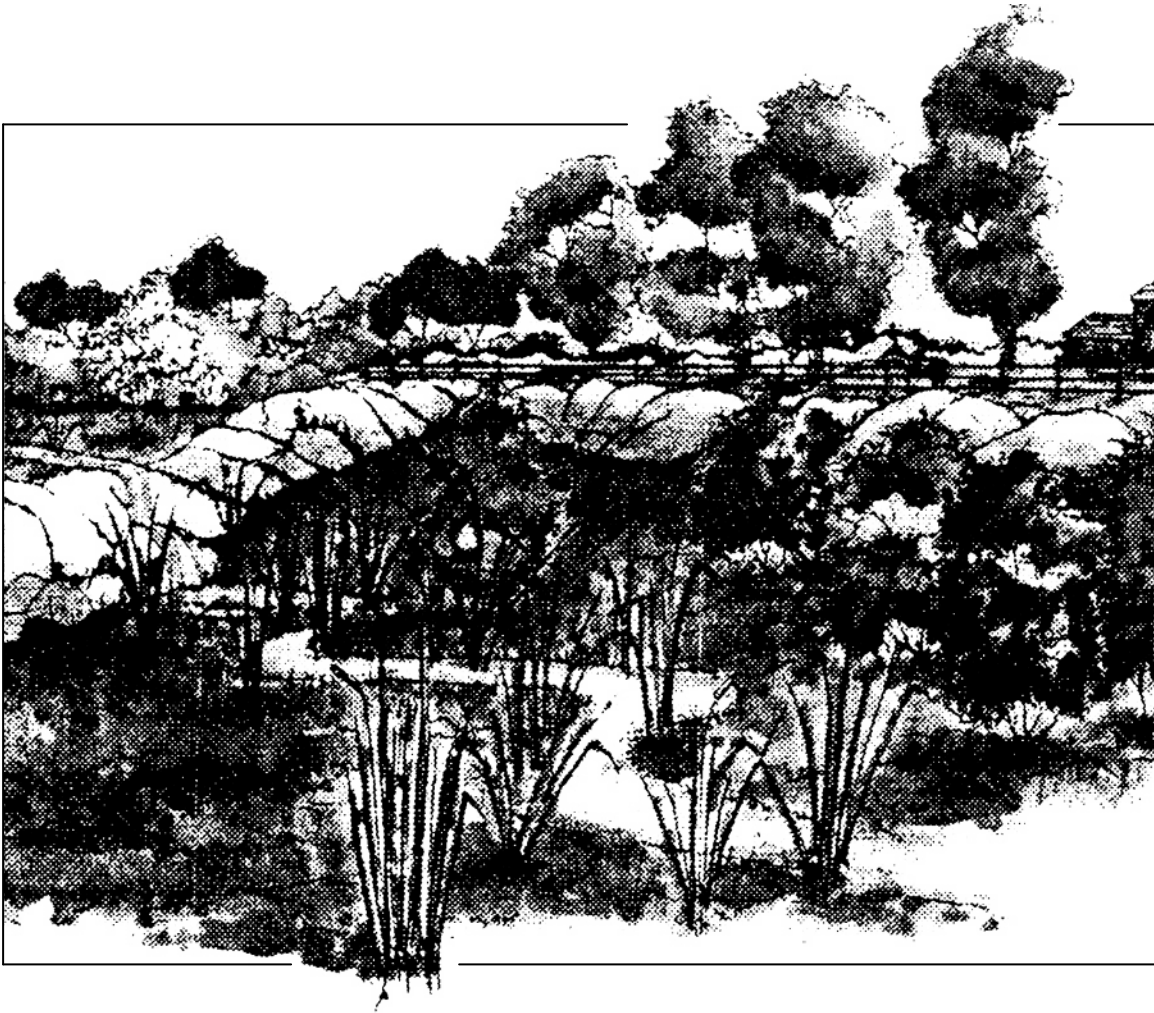


# CARMEL VALLEY

## Public Facilities Financing Plan and Facilities Benefit Assessment

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Fiscal Year 2009



THE CITY OF SAN DIEGO

City Planning & Community Investment  
Facilities Financing  
April 2008

RESOLUTION NUMBER R- 303600

DATE OF FINAL PASSAGE APR 24 2008


A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN  
DIEGO APPROVING THE CARMEL VALLEY PUBLIC  
FACILITIES FINANCING PLAN AND FACILITIES BENEFIT  
ASSESSMENT, FISCAL YEAR 2009

BE IT RESOLVED, by the Council of the City of San Diego, that it approves the  
document titled, "Carmel Valley Public Facilities Financing Plan and Facilities Benefit  
Assessment, Fiscal Year 2009," a copy of which is on file in the office of the City Clerk as  
Document No. RR- 303600.

BE IT FURTHER RESOLVED, all fees due under the Carmel Valley Public Facilities  
Financing Plan and Facilities Benefit Assessment, Fiscal Year 2009, shall be those fees in effect  
at the time the building permit is pulled.

BE IT FURTHER RESOLVED, that this activity is not subject to CEQA pursuant to  
State Guidelines Section 15060(c)(3).

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By   
Jana L. Garmo  
Deputy City Attorney

JLG:als  
03/28/08  
Or.Dept:Planning  
R-2008-777  
MMS#6034

I hereby certify that the foregoing Resolution was passed by the Council of the City of San  
Diego, at this meeting of APR 21 2008.

ELIZABETH S. MALAND  
City Clerk

By   
Deputy City Clerk

Approved: 4-24-08  
(date)

  
JERRY SANDERS, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor

## **Mayor**

Jerry Sanders

## **City Council**

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Kevin Faulconer, Council District 2  
Toni Atkins, Council District 3  
Tony Young, Council District 4

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Allen Kashani  
Gary Levitt  
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## **TABLE OF CONTENTS**

<b>INTRODUCTION.....</b>	<b>1</b>
AUTHORITY .....	1
UPDATE TO FINANCING PLAN .....	1
SCOPE OF REPORT .....	1
<b>FACILITIES BENEFIT ASSESSMENT .....</b>	<b>3</b>
FBA PROCEDURE.....	3
METHODOLOGY OF THE FBA.....	3
TIMING AND COST OF FACILITIES .....	5
EXPENDITURES .....	5
<b>AREA OF BENEFIT AND PROJECTED LAND USES.....</b>	<b>5</b>
AREA OF BENEFIT .....	5
PROJECTED LAND USE .....	6
Residential.....	6
Non-residential.....	6
<b>ASSESSMENTS.....</b>	<b>7</b>
ASSESSMENT METHODOLOGY – EDU RATIOS .....	7
ASSESSMENT NUMERICAL LIST DESCRIPTION.....	7
DETERMINATION OF ASSESSMENT RATES .....	8
AUTOMATIC ANNUAL INCREASES .....	9
FBA CASHFLOW .....	10
Consolidation of Funds .....	10
Cashflow Analysis .....	11
Development Impact Fees.....	11
<b>PUBLIC FACILITIES FINANCING PLAN .....</b>	<b>15</b>
PURPOSE .....	15
TRANSPORTATION PHASING PLAN .....	15
DEVELOPMENT FORECAST AND ANALYSIS .....	15
CAPITAL IMPROVEMENT PROGRAM .....	16
Future Public Facility Needs.....	16
FEE SCHEDULE FOR FACILITIES BENEFIT ASSESSMENTS.....	17
Annual Review.....	17
Updated Project Costs.....	17
Fee Schedule .....	17
FINANCING STRATEGY .....	17
Facilities Benefit Assessment (FBA).....	18
Development Impact Fee (DIF) .....	18
Assessment Districts .....	18
Community Facility District (CFD).....	18
Developer Construction .....	19
Reimbursement Financing for Water and Sewer Facilities .....	19
State/Federal Funding .....	19
Cost Reimbursement District (CRD) .....	19

## Carmel Valley Public Facilities Financing Plan FY 2009

Development Agreement .....	19
GENERAL ASSUMPTIONS AND CONDITIONS .....	20
Developer Advance.....	22
TRANSPORTATION PROJECTS – <i>CURRENT AND FUTURE</i> .....	29
TRANSPORTATION PROJECTS – <i>COMPLETED</i> .....	41
PARK AND RECREATION PROJECTS – <i>CURRENT AND FUTURE</i> .....	81
PARK AND RECREATION PROJECTS – <i>COMPLETED</i> .....	95
POLICE PROJECTS – <i>CURRENT (ALL)</i> .....	113
FIRE PROJECTS – <i>COMPLETED (ALL)</i> .....	117
LIBRARY PROJECTS – <i>COMPLETED (ALL)</i> .....	121
WATER & SEWER PROJECTS – <i>CURRENT AND FUTURE</i> .....	125
WATER & SEWER PROJECTS – <i>COMPLETED</i> .....	131
<b>APPENDIX.....</b>	<b>A-1</b>
FACILITIES BENEFIT ASSESSMENT NUMERICAL LIST .....	A-3
FACILITIES BENEFIT ASSESSMENT PARCEL LOCATION MAP .....	A-5

## TABLES

TABLE 1	INVENTORY OF LAND USES.....	6
TABLE 2	EDU RATIOS.....	7
TABLE 3	FY 2009 ASSESSMENT RATES.....	9
TABLE 4	FACILITIES BENEFIT ASSESSMENT SCHEDULE .....	10
TABLE 5	LOS ANGELES/SAN DIEGO CONSTRUCTION COST INDEX.....	12
TABLE 6	SAN DIEGO CONSUMER PRICE INDEX .....	12
TABLE 7	CARMEL VALLEY CASHFLOW .....	13
TABLE 8	CARMEL VALLEY DEVELOPMENT SCHEDULE .....	16
TABLE 9	CARMEL VALLEY PUBLIC FACILITIES PROJECT SUMMARY .....	23

## FIGURES

FIGURE 1	CARMEL VALLEY AREA OF BENEFIT .....	4
FIGURE 2	CARMEL VALLEY – LOCATION OF ACTIVE AND FUTURE PROJECTS .....	27
FIGURE 3	CARMEL VALLEY – LOCATION OF COMPLETED PROJECTS .....	28

This information will be made available in alternative formats upon request. To request a financing plan in an alternative format, call the City Planning & Community Investment Department, Facilities Financing Section at (619) 533-3670.

# Introduction

## Authority

This **Public Facilities Financing Plan (Financing Plan)** implements the improvement requirements set forth in the North City West Community Plan, which was originally approved by the City Council on February 27, 1975 by Resolution R-212692. North City West was subsequently renamed Carmel Valley.

## Update to Financing Plan

On October 17, 2006, by Resolution R-301977, the City Council adopted the Fiscal Year 2007 Carmel Valley Public Facilities Financing Plan. This report is an update of the Financing Plan for Carmel Valley.

## Scope of Report

The Fiscal Year 2009 Carmel Valley Public Facilities Financing Plan identifies the public facilities that will be needed over the next four years in Carmel Valley, during which the ultimate build out of the community is expected. This report also includes the revised **Facilities Benefit Assessment (FBA)** for Carmel Valley, as required by City Ordinance O-15318. The FBA is established to provide public facilities which will benefit the Carmel Valley community.

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# Facilities Benefit Assessment

## FBA Procedure

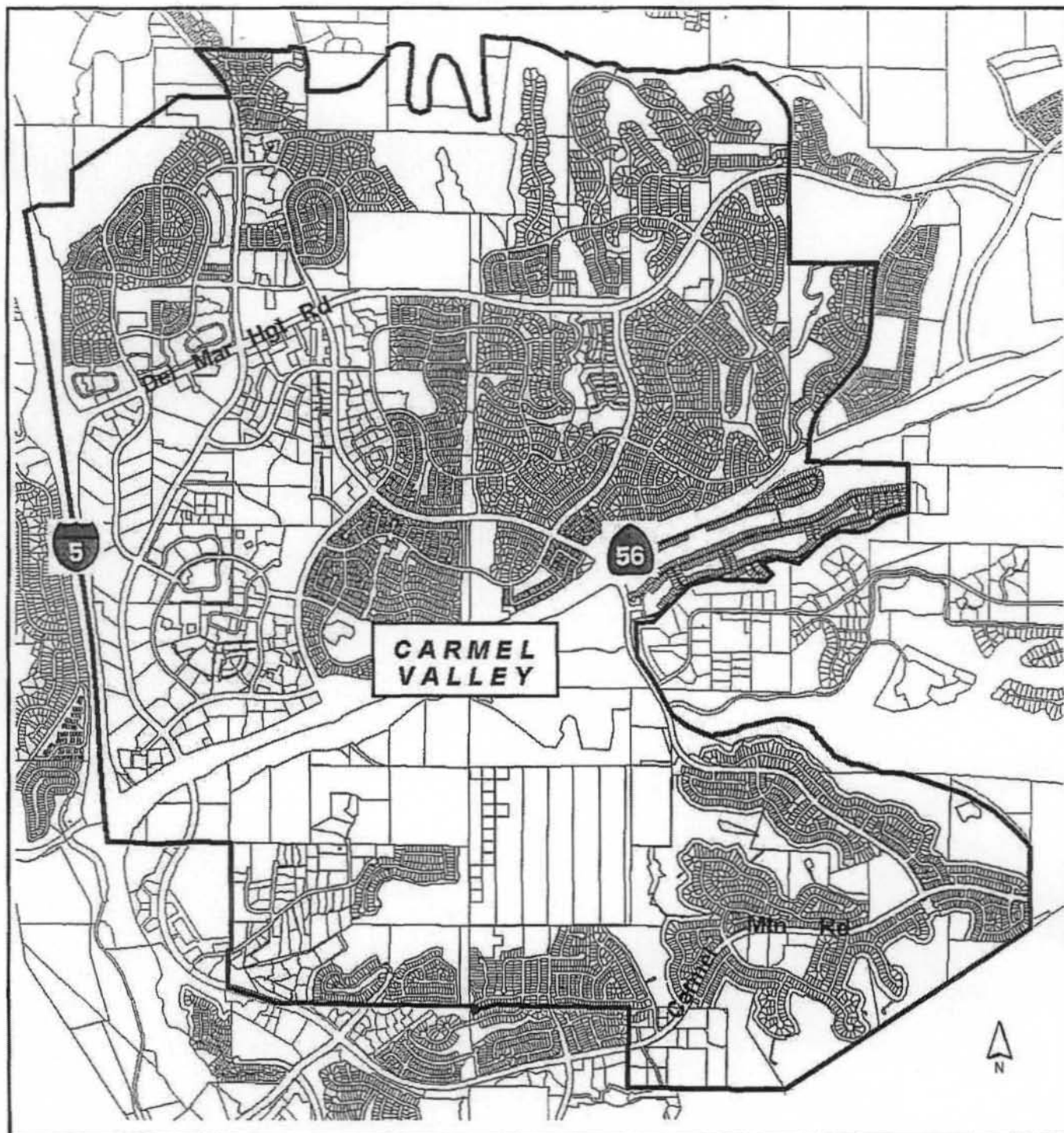
City Ordinance No. O-15318 was adopted by the City Council on August 25, 1980, to establish the procedure for implementing an FBA. The FBA provides funding for public facilities projects that serve a designated area, also known as the **Area of Benefit**. The dollar amount of the assessment is based upon the collective cost of each public facility, and is equitably distributed over the Carmel Valley community planning area. For more information on Area of Benefit, see Area of Benefit and Projected Land Uses on page 5.

## Methodology of the FBA

The methodology of the FBA is as follows:

- 1) An FBA **Assessment Numerical List** (Assessment List) is prepared for Carmel Valley, where each remaining, unimproved parcel or approved map unit in the area of benefit is apportioned its share of the total assessment according to the size and anticipated use of the property.
- 2) Liens are placed on the undeveloped or under-developed portions of the assessed parcels and final map properties within the areas of benefit. The liens are filed without a specific assessment amount since the owner or developer is responsible to pay only the assessment that applies to the type and amount of development that actually occurs.
- 3) At the time of building permit issuance, the owner of the parcel being developed is assessed a fee that is determined by the type and size of the development permitted according to the FBA schedules that are in effect at the time the permit is obtained. Owners/developers are not permitted to pay liens in advance of development. FBA fees are paid directly to the Development Services Department at the time of building permit issuance.
- 4) Fees are collected, placed into City interest bearing accounts, and used within the area of benefit solely for those capital improvements and administrative costs identified in the Carmel Valley Public Facilities Financing Plan.

**Figure 1 Carmel Valley Area of Benefit**



## Timing and Cost of Facilities

The public facilities projects to be financed by the Carmel Valley FBA funds are shown in Table 9 on page 23. Included in the tables are:

- Project title
- Fiscal year in which construction of the project is expected
- Estimated project costs
- Estimated FBA contribution toward project costs

Project categories include transportation improvements, parks and recreation, police, fire, libraries, and water/wastewater projects. Detailed descriptions of the projects, which are listed in Table 9, can be found on the individual project sheets beginning on page 31. The FBA also pays for the administrative costs associated with the development, implementation, and operation of the FBA program.

## Expenditures

The following are three types of expenditures that may be applied against the FBA fund:

- 1) **Direct payments** for facility costs, including administration of the FBA funds;
- 2) **Credits** to developers for facilities provided in accordance with Section 61.2213 of the FBA Ordinance; and
- 3) **Cash reimbursement** to developers for providing facilities exceeding the cost of their FBA obligation pursuant to an approved reimbursement agreement.

Therefore, whether a developer or the FBA funds provide a facility, direct payments, credits, or cash reimbursements are all treated as an expense to the FBA funds.

## Area of Benefit and Projected Land Uses

### Area of Benefit

The City Council initiates proceedings for the designation of an Area of Benefit by adopting a Resolution of Intention. The undeveloped land areas that are within the community boundaries of Carmel Valley are known as the Area of Benefit. An FBA is applied to undeveloped residential and non-residential property. Figure 1 on page 4 shows the boundaries of the Carmel Valley Area of Benefit.

In past Carmel Valley Public Facilities Financing Plans, two community maps had been provided - one showing the northern area of the community (north of SR 56), and the other showing the southern area of the community (south of SR 56). With this Financing Plan update, community maps will show all of the Carmel Valley community.

## Projected Land Use

### Residential

The anticipated residential development of Carmel Valley is estimated at 13,773 dwelling units. A list of the types and amount of planned residential development can be found below in Table 1. A map of all undeveloped properties can be found in the Appendix section, starting on page 135.

For residential development, FBA fees are expected to be paid on a per-dwelling unit basis, and are due at time of building permit issuance.

### Non-residential

The anticipated non-residential development for Carmel Valley is estimated to be 294 acres and categorized as commercial, industrial, or institutional. A list of the types and amount of planned non-residential development can also be found below in Table 1. A map of all undeveloped properties can be found in the Appendix section, starting on page 135.

For non-residential development, FBA fees are expected to be paid on a per-acre basis, and are due at time of building permit issuance.

**Table 1      Inventory of Land Uses**

*As of January 1, 2008*

<b>Land Use</b>	<b>Actual</b>	<b>To Go</b>	<b>Total</b>
Single-Family Residential Units	7,118	185	7,303
Multi-Family Residential Units	6,310	160	6,470
<b>Total Residential Units</b>	<b>13,428</b>	<b>345</b>	<b>13,773</b>
Commercial Acres	180.31	19.47	199.78
Industrial Acres	51.17	0	51.17
Institutional Acres	33.48	9.11	42.59
<b>Total Non-Residential Acres</b>	<b>264.96</b>	<b>28.58</b>	<b>293.54</b>

## Assessments

### Assessment Methodology – EDU Ratios

An **Equivalent Dwelling Unit** or **EDU** ratio has been established for the purpose of spreading the cost of public facilities between the different land use classifications. EDU ratios have been calculated for each type of development because the relationship between land use and the degree of benefit from public facilities can vary substantially. The single-family dwelling unit (SFDU) is the foundation for all other EDU ratios. Other land use classifications are assigned an EDU ratio - per unit or per acre - depending on type of development.

Table 2 provides the EDU ratios used to prepare the Carmel Valley FBA.

Table 2      EDU Ratios

LAND USE CLASSIFICATION	STANDARD ABBREVIATION	EDU FACTOR
Single-Family Dwelling Unit	SFDU	1.0
Multi-Family Dwelling Unit	MFDU	.07
Commercial Acre	CAC	3.71
Industrial Acre	IAC	3.45
Institutional Acre	INSTAC	3.57

### Assessment Numerical List Description

For each undeveloped or under-developed map portion or parcel in the areas of benefit, the Assessment Numerical List includes:

- Assessor parcel number
- The type of development each parcel is zoned for
- Number of dwelling units or non-residential acres to be developed (according to the highest and “best use” scenario)
- The estimated total assessment amount (according to the highest and “best use” scenario)
- Name of property owner (according to the County Assessor’s records)

Identification numbers in the Assessment List have been put into numerical number, and may be non-sequential as some parcels are removed from the list after assessments have been are paid. Subdivided parcels may be represented with a small case letter (a, b, c, etc) after the

identification number. Information on ownership is listed according to the County Assessor's records at the time the Assessment List is prepared, as shown on the last equalized Assessment List, or as otherwise known to the City Clerk; or by any other means which the City Council finds reasonably calculated to apprise affected landowners (Section 61.2205). The current Assessment List begins on page 137, and a map showing approximate locations of assessed parcels can be found on page 139.

A **Resolution of Designation**, when adopted by the City Council and approved by the Mayor, imposes the FBA in the form of a lien that is placed upon the undeveloped or under-developed portions of the County Assessor parcels and final map properties within the area of benefit. The assessments are based upon the type and size of forecasted land use of the highest and "best use" scenario.

The maps, plats, and summary of the Assessment List, all of which define the area of benefit, will be delivered to the County Recorder for official recording once the updated Financing Plan is adopted by the City Council and approved by the Mayor. Collection of the FBA is to occur at the time of building permit issuance at the Development Services Department.

## **Determination of Assessment Rates**

Assessments are calculated and levied against each undeveloped or under-developed parcel based upon the type and size of development, which is expected to occur within the area of benefit. The amount of the FBA is determined by using the following information:

- Development schedule (in dwelling units and acres)
- Composite EDU ratios for each land use designation
- Schedule of facility expenditures (in FY 2009 dollars) to be financed with monies from the FBA fund
- Annual interest rate of 3% applied to the fund balance for two years beginning in FY 2009, then 4% applied per year from FY 2011 forward
- Annual inflation rate of 7% applied to FY 2009 project cost estimates to determine FY 2010 project cost; an inflation rate of 7% applied to FY 2010 project cost to determine FY 2011 project costs; and an inflation rate of 5% applied to each year following FY 2011
- At the beginning of each fiscal year (July 1st), unpaid assessments are increased by the inflation factor

An individual developer will pay an assessment to the FBA fund, based upon the number of units or acres developed in a particular year. Pursuant to the terms of a reimbursement agreement with the City, a developer may

be issued credits against an assessment for expenditures related to providing facilities in lieu of paying an FBA. An approved reimbursement agreement with the City may also entitle a developer to cash from the FBA fund.

An **assessment rate** is calculated to provide sufficient money to meet the scheduled direct payments for facilities provided by the FBA fund. The base deposit rate also considers the timing of credits and reimbursements to be paid to developers for FBA funded facilities. Table 3 lists the FY 2009 FBA base deposit rate for Carmel Valley.

**Table 3      FY 2009 Assessment Rates**

<b>LAND USE</b>	<b>ASSESSMENT (per Unit and per 1,000 sq. ft.)</b>
Single Family Dwelling Unit	\$23,314
Multi-Family Dwelling Unit	\$16,320
Commercial Acre	\$86,495
Industrial Acre	\$80,433
Institutional Acre	\$83,231

## **Automatic Annual Increases**

FBAs are evaluated annually and adjusted accordingly to reflect the current economic conditions. In FY 2009 and FY 2010, the increase reflects an inflation rate of 7% per year, after which a 5% increase is reflected. An **inflation factor** is used to provide automatic annual increases in the assessment rate and will be effective at the beginning of each fiscal year (July 1 through June 30). The automatic increase provision is effective only until such time as the next annual adjustment is authorized by the City Council and approved by the Mayor. Thereafter, the subsequent Council and Mayoral-approved annual adjustment will prevail.

Assessments are calculated and levied against each undeveloped or under-developed parcel based upon the type and size of development, which is expected to occur within the area of benefit. The Carmel Valley FBA Schedule in Table 4, page 10, shows the projected rate of assessment for each category of land use during each year of community development.

Facilities Benefit Assessments and Development Impact Fees are paid upon building permit issuance, and the dollar amount due is based upon the fee schedule in effect on the date the building permit is issued.

**Table 4      Facilities Benefit Assessment Schedule**

<b>FISCAL YEAR</b>	<b>\$/ SFDU</b>	<b>\$/ MFDU</b>	<b>\$/ CAC</b>	<b>\$/ IAC</b>	<b>\$/ INSTAC</b>
<b>2009</b>	\$23,314	\$16,320	\$86,495	\$80,433	\$83,231
<b>2010</b>	\$24,946	\$17,462	\$92,550	\$86,063	\$89,057
<b>2011</b>	\$26,692	\$18,685	\$99,028	\$92,088	\$95,291
<b>2012</b>	\$28,027	\$19,619	\$103,980	\$96,692	\$100,056
<b>2013</b>	\$29,428	\$20,600	\$109,179	\$101,527	\$105,059

## **FBA Cashflow**

### **Consolidation of Funds**

With this update, the two community FBA funds will be consolidated into one fund, and one cashflow (only) will be developed for the community. Originally, when the FBA was put into place a decision was made to have two FBA funds (rather than the usual one fund per community) because it was anticipated that development would take place primarily in the northern area of the community first, and because overall land use in the southern area of the community had not yet been determined. When the Carmel Valley FBA fee structure was developed, FBA rates were calculated such that the estimated incoming development fees in the (known use) northern area of the community would cover the cost of anticipated public facilities necessary to serve the anticipated population in the (known use) northern area. And, because it was expected that development in the southern area would be similar to the development in the northern area, the FBA rates for future development in the southern portion of the community were set to match the FBA rates for the northern area.

Once the initial FBA rate was set, the increases to that fee structure have been inflationary (every July 1<sup>st</sup>). Over the years, as development occurred in the northern area and some of the more expensive facilities projects were deleted from the Financing Plan, the FBA fees were not decreased because other projects were identified. Over time the first community fund (Carmel Valley North FBA) grew to have a substantial balance. At the same time, because there was less development in the southern area of the community and more land designated as Open Space, the second community fund (Carmel Valley South FBA) grew at a slower rate while the cost to construct future facilities increased dramatically. The end result is that of the community having one fund with a very high and growing balance, and one fund with a smaller and decreasing balance.



Because all FBA funds collected within the Carmel Valley community are intended to provide facilities that benefit all residents within the Carmel Valley community, and because there is no real benefit of having two FBA funds, the two separate funds will be consolidated into one. In addition, over the next 11 years it is estimated that the consolidation of funds will result in decreased City administrative costs, conservatively estimated at approximately \$500,000.

The Carmel Valley Community Planning Board supports the consolidation of FBA funds.

### **Cashflow Analysis**

The Carmel Valley Cashflow (Table 7, page 13) presents an analysis of the Carmel Valley FBA. For each fiscal year during the development of the community, the cashflow shows the difference between anticipated FBA revenues (including earned interest) and the expected capital improvement expenditures. Interest earnings for cash-on-hand are compounded and based on an estimated 3% annual return for two years beginning in FY 2009, and thereafter a rate of 4% is assumed.

The City of San Diego considers historic data while predicting the effect of inflation on construction projects. The Los Angeles/San Diego **Construction Cost Index (CCI)** and the **Consumer Price Index (CPI)** for San Diego are the two indices used by the City while conducting a cashflow analysis. The historical information associated with the Los Angeles/San Diego CCI and the CPI for San Diego is shown in Tables 5 and 6 respectively, on page 12.

Since needed facilities are directly related to the community's growth rate, construction schedules of facilities are contingent upon the actual development within the community. Therefore, any slowdown in community development will require a modification to facility schedules and a new cashflow will be prepared.

### **Development Impact Fees**

Development Impact Fees (DIF) are collected to mitigate the impact of additional development on properties that have either already paid FBAs and/or that have never been assessed. Council has previously directed that DIF, equal to current FBA, are appropriate for such development.

Table 5 Los Angeles/San Diego Construction Cost Index

As reported by *Engineering News Record* (as of March, 2007)

YEAR	CCI	% CHANGE Per YEAR
1999	6832	2.4%
2000	7056	3.3%
2001	7073	0.2%
2002	7440	5.2%
2003	7572	1.8%
2004	7735	2.2%
2005	8234	6.5%
2006	8552	3.9%
2007	8873	3.8%

Table 6 San Diego Consumer Price Index

As of March, 2007

YEAR	CCI	% CHANGE Per YEAR
1999	171.7	3.4%
2000	179.8	4.7%
2001	190.1	5.7%
2002	195.7	3.0%
2003	203.8	4.1%
2004	211.4	3.7%
2005	218.3	3.3%
2006	226.7	3.8%
2007	231.9	2.3%

Table 7 Carmel Valley Cashflow

FISCAL YEAR	SFDU	MFDU	CAC	IAC	INST	\$/SFDU	\$/MFDU	\$/CAC	\$/IAC	\$/INST	REV. & INT.	EXPENSES	BALANCE
<b>Prior</b>	7,008	6,300	178.06	51.17	32.58						\$154,879,368	\$117,865,639	\$37,013,729
<b>2008</b>	110	10	2.25	0.00	0.90	\$21,789	\$15,253	\$80,837	\$75,172	\$77,787	\$7,271,849	\$25,668,174	\$18,617,404
<b>2009</b>	122	40	0.87	0.00	0.00	\$23,314	\$16,320	\$86,495	\$80,433	\$83,231	\$4,095,242	\$6,231,384	\$16,481,263
<b>2010</b>	50	78	13.79	0.00	0.00	\$24,946	\$17,462	\$92,550	\$86,063	\$89,057	\$4,298,586	\$9,570,158	\$11,209,690
<b>2011</b>	13	42	0.00	0.00	0.00	\$26,692	\$18,685	\$99,028	\$92,088	\$95,291	\$1,499,268	\$5,401,776	\$7,307,183
<b>2012</b>	0	0	4.81	0.00	9.11	\$28,027	\$19,619	\$103,980	\$96,692	\$100,056	\$1,732,704	\$120,215	\$8,919,672
<b>2013</b>	0	0	0.00	0.00	0.00	\$29,428	\$20,600	\$109,179	\$101,527	\$105,059	\$357,830	\$126,225	\$9,151,277
<b>TOTAL</b>	<b>7,303</b>	<b>6,470</b>	<b>199.78</b>	<b>51.17</b>	<b>42.59</b>						<b>\$174,134,847</b>	<b>\$164,983,570</b>	<b>\$9,151,277</b>

**Note:**

- 1) Values are rounded to the nearest dollar.
- 2) Annual inflation rate is 7% for FY 2009-2010, then 5% thereafter.
- 3) Annual interest rate is 3% for FY 2009-2010, then 4% thereafter.

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# Public Facilities Financing Plan

## Purpose

The Financing Plan is prepared to ensure that all owners of undeveloped property will pay their fair share of the funding required to finance the community's needed public facilities. The Financing Plan applies to all property owners seeking to develop property, even if the subject property has an approved tentative or final map detailing its development. The Financing Plan includes the following:

- Development forecast and analysis
- Capital Improvement Program (CIP)
- Fee schedule for a Facilities Benefit Assessment

This report will update the Financing Plan and the FBA for the development that is planned to occur in the community planning area known as Carmel Valley.

## Transportation Phasing Plan

The Carmel Valley (formerly North City West) Transportation Phasing Plan limited the issuance of building permits in Carmel Valley until the listed transportation improvements were assured. The plan was declared satisfied on July 23, 1998. Consequently, there is no further limitation building permit issuance. The plan is contained in previous updates to the Carmel Valley Public Facilities Financing Plan.

## Development Forecast and Analysis

The development projection for Carmel Valley is based upon the best estimates of the existing property owners, their land use consultants, and City staff. Certain economic factors could adversely affect these development projections. Higher interest rates, higher land and housing prices, an economic recession, and issues involving the transportation thresholds could slow or halt the development rate of Carmel Valley. Conversely, a period of robust business expansion could significantly increase the rate of development. Indications are that the remaining development of Carmel Valley will take place over the next four years.

The projected schedule of development for Carmel Valley is presented in Table 8 on page 16. In that table, the number of units developed within a year refers to those applications having building permits issued (paid) during the July-to-June fiscal year.

Since needed facilities are directly related to the community growth rate, construction schedules of facilities are contingent upon the actual development within the community. Therefore, any slowdown in the rate of community development will require a modification of the schedule for providing needed public facilities.

**Table 8 Carmel Valley Development Schedule**

<b>FISCAL YEAR</b>	<b>SFDU</b>	<b>MFDU</b>	<b>TOTAL</b>	<b>CAC</b>	<b>IAC</b>	<b>INSTAC</b>
<b>PRIOR</b>	7,008	6,300	13,308	178.06	51.17	32.58
<b>2008</b>	110	10	13,428	2.25	0.00	.90
<b>2009</b>	122	40	13,590	.87	0.00	0.00
<b>2010</b>	50	78	13,718	13.79	0.00	0.00
<b>2011</b>	13	42	13,773	0.00	0.00	0.00
<b>2012</b>	0	0	13,773	4.81	0.00	9.11
<b>2013</b>	0	0	13,773	0.00	0.00	0.00
<b>TOTAL</b>	<b>7,303</b>	<b>6,470</b>	<b>13,773</b>	<b>199.78</b>	<b>51.17</b>	<b>42.59</b>
<b>BUILT:</b>	7,118	6,310	13,428	180.31	51.17	33.48
<b>TO GO:</b>	<b>185</b>	<b>160</b>	<b>345</b>	<b>19.47</b>	<b>0.00</b>	<b>9.11</b>

\*Development figures shown beyond FY 2007 are based upon estimates.

## Capital Improvement Program

### Future Public Facility Needs

In order to better serve the Carmel Valley community, public facilities are needed in a number of project categories. Those categories include:

- Transportation
- Parks and Recreation
- Police
- Fire
- Library
- Water/Wastewater

A summary of all projects can be found in Table 9 on pages 23 through 26, and project locations are depicted in Figures 2 and 3 on pages 27 and 28. Detailed project descriptions can be found in the CIP sheets beginning on page 31. Construction schedules of facilities are contingent upon actual development within the community because needed facilities are

directly related to the community's growth rate. Therefore, any showdown in community development will require a modification to the schedule by which needed facilities are planned. Refer to Table 8 on page 16 for the current development schedule for the community.

## **Fee Schedule for Facilities Benefit Assessments**

### **Annual Review**

The FBA Ordinance in the Municipal Code (Section 61.2212) provides for an annual adjustment of FBAs. The annual review may reflect changes to any of the following:

- Rate and amount of planned development
- Actual or estimated cost of public facilities projects
- Scope of the public facilities projects
- Inflation rates
- Interest rates
- Comparative analysis of City approved discretionary permits

### **Updated Project Costs**

This update includes an analysis, by each of the sponsoring City departments, of the project costs for each public facility project. The costs estimates shown in this update have been revised and consider the following:

- LEED "Silver Level"
- Impact of inflation
- Competitive bids on similar projects
- Modifications, if any, to the overall scope of the project

### **Fee Schedule**

The Carmel Valley FBA Schedule in Table 4, page 10, shows the rate of assessment for each category of land use during each year of community development. The FY 2009 assessment schedule includes a normal inflationary increase of 7% over the current rate due to increased project costs and the impact of inflation.

## **Financing Strategy**

For Planned Urbanizing Areas, the Progress Guide and General Plan requires that public facilities and services, including the water supply and distribution system, sanitary sewer system, drainage facilities, fire protection, schools, streets, parks, and open space be available at the time of development and be of sufficient capacity to serve the proposed development and its residents. According to Council Policy 600-28 such

improvements will be furnished and financed by the developer. As such, the developers will provide a majority of the needed public facilities for Carmel Valley as a part of the subdivision process. Public facility projects that benefit a population larger than the local/adjacent development may be financed by using the following alternative methods:

### **Facilities Benefit Assessment (FBA)**

This method of financing fairly and equitably spreads costs while following the procedures specified in City Council Ordinance O-15318, as adopted on August 25, 1980. An FBA results in a lien being levied on each parcel of property located within the area of benefit. The liens ensure that assessments will be collected on each parcel as development occurs and will be renewed annually with each update to the Financing Plan. The liens will be released following payment of the FBA.

For the current, approved schedule of FBAs by fiscal year, refer to Table 4 on page 10.

### **Development Impact Fee (DIF)**

Within urbanized communities, which are near build-out, DIF are collected to mitigate the impact of new development through provision of a portion of the financing needed for identified public facilities and to maintain existing levels of service for that community. Council has previously directed that DIF, equal to the current FBA, are appropriate for all properties in planned urbanizing communities that have never been assessed or otherwise agreed to pay FBAs, and/or on which the intensity of development has increased.

### **Assessment Districts**

Special assessment district financing, such as the Municipal Improvement Act 1913/1915, may be used as a supplementary or alternative method of financing facilities such as streets, sidewalks, sewers, water lines, storm drains, and lighting facilities. Assessment districts are beneficial in that they provide all of the funding needed for a particular public facility project in advance of the projected development activity. However, assessment districts also create a long-term encumbrance of the benefiting property and require that the funds be repaid over an extended period of time. Assessment districts also require the approval of a majority of the property owners in order to establish the district.

### **Community Facility District (CFD)**

State legislation, such as the **Mello-Roos Act of 1982**, has been enacted to provide a method of financing public facilities in new and developing areas. A Mello-Roos is also known as a **Community Facility District (CFD)**. The formation of such CFDs may be initiated by owner/developer petition. Mello-Roos districts also require approval by a two-thirds



majority of the property owners in order to establish the district, as clarified by Council Policy 800-3.

### **Developer Construction**

New development either constructs required facilities as a condition of subdivision or provides funds for its fair share of the costs of such facilities, with construction being performed by the City. Typically, these funds are collected through the FBA program or through the DIF program.

As an alternative to the FBA or DIF programs it may be feasible for developers to construct one or more of the needed public facilities in a turnkey basis. Under this arrangement, developers typically are compensated, either by cash or credit against FBAs due, for the work performed pursuant to the conditions in a Council approved reimbursement agreement (Council Policy 800-12).

### **Reimbursement Financing for Water and Sewer Facilities**

This method of financing is outlined in Council Policy 400-7. It is commonly used when the first developer/sub-divider in an area is required to construct the necessary water and sewer facilities for an entire developing area. These agreements are approved by the City Council. Reimbursement to the first developer/sub-divider can occur over a period of time as long as 20 years or until all of the subsequently developed lands have participated in the reimbursement, whichever occurs first.

### **State/Federal Funding**

Certain public facilities may be determined to benefit a regional area that is larger than the community planning area. Such projects may be appropriately funded by the State, the Federal Government, or a combination of the two.

### **Cost Reimbursement District (CRD)**

Occasionally, a developer/sub-divider is directed to construct public improvements that are more than that which is required to support its individual property/development. A **Cost Reimbursement District (CRD)** provides a mechanism by which the developer/sub-divider may be reimbursed by benefiting development which proceeds within 20 years of formation of the CRD. Reimbursement is secured by a lien on the benefiting properties with the lien due and payable only upon recordation of a final map or issuance of a building permit, whichever occurs first.

### **Development Agreement**

This method permits a developer to enter into an agreement with the City of San Diego where certain rights of development are extended to the developer in exchange for certain extraordinary benefits given to the City.

## **General Assumptions and Conditions**

In connection with the application of the above methods of financing, the following general assumptions and conditions will be applied:

1. Except for those projects that are identified as FBA funded, developers will be required to provide facilities that are normally provided within the subdivision process as a condition of tentative subdivision map approval. These projects include but are not limited to traffic signals (except as noted), local roads, and the dedication or preservation of open space located within the proposed development(s). A Mello-Roos 1913/1915 Act, or other type of reimbursement district, however, may fund such projects if the project(s) and applicant(s) qualify for this type of project financing.
2. Commercial, industrial and institutional land will be assessed FBAs for infrastructure (including transportation), police, fire, and utility facilities. However, developers of commercial, industrial and institutional land will not be assessed for park and recreation or library facilities since those facilities primarily serve the residential component of the Carmel Valley community. In the future, if a basis is developed for charging non-residential development for the cost of park and recreation and library facilities, their fair share can be evaluated at that time.
3. Annual reviews may be performed to evaluate performance of the program and to consider the continuing commitments related to the completion of needed facilities. Project costs and assessments shall be evaluated for all portions of the program.
4. The developer, or permittee, shall pay the FBA as a condition of obtaining building permits.
5. A developer, or group of developers, may propose to build or improve an FBA funded facility that is identified in the CIP. Upon City Council approval, the developer(s) may enter into an agreement to provide the facility in lieu of, or as credit against the payment of FBA fees, provided that adequate funds are available in the FBA fund. The amount and timing of the credit being sought by the developer(s) must coincide with the expenditure of funds depicted on the CIP sheet for the respective project. Should the approved, final cost of the facility exceed the amount of credit being sought by the developer(s), the developer(s) may be reimbursed from the FBA fund for the difference, subject to the approved

reimbursement agreement and the availability of funds. If two developers are entitled to cash reimbursement during the same fiscal year, then the first agreement to be approved by the City Council shall take precedence over subsequent agreements approved by the City Council.

6. As FBAs are collected, they shall be placed in City funds that provide interest earnings for the benefit of Carmel Valley.
7. The Development Schedules shown in Tables 8a and 8b, pages 18 and 19 respectively, are estimated schedules based on the latest information available at the time this Financing Plan was adopted. Future approvals and/or modifications of precise plans and/or discretionary permit applications may either increase or decrease the extent of development proposed within Carmel Valley.
8. Most public facilities identified in the Financing Plan are either “population based” or “transportation based.” The estimated year(s) in which funds are budgeted for a given project should not be considered as a binding commitment that the project would actually be constructed in that year. With each annual update, actual permit activity and corresponding population projections coupled with additional traffic study information obtained since the last update, will be evaluated to determine the most appropriate year in which to budget the need for each remaining project. As such, the budgeted year for a given project is subject to change with each update to the Financing Plan.
9. In most cases, all roadways located within Carmel Valley will be the responsibility of the developer/sub-divider and are not reflected in the FBA calculations.
10. It has been assumed that a large majority of the cost necessary to construct SR-56 will be provided from funds other than the FBA, e.g. Transnet, State or Federal (ISTEA) Highway funds, and/or toll road funds, etc.
11. For projects that require land acquisition in this Financing Plan, property value estimates assume that the property is graded, in finished pad condition, and “ready to accept” for the project for which it is intended (i.e. the value of raw land plus the cost of improvements/environmental mitigation). The actual price paid for land within Carmel Valley will be based upon either a price established through direct negotiations between the

affected owner(s) and relevant public agency or by fair market value, as determined by an appraisal that will be prepared in accordance with standard City policy.

12. It has been assumed that all costs for open space acquisition will be provided from funds other than the FBA, i.e. subdivision requirement, off-site mitigation for a particular project, etc.

13. FBA fees shall be paid by all categories of private development, including affordable housing projects.

### **Developer Advance**

It is anticipated that a number of the projects, which have been identified as being FBA-funded, are to be constructed by developers in Carmel Valley. Subject to the terms of a reimbursement agreement, a developer may actually start construction of a project before there are sufficient FBA funds available to provide either cash reimbursement or credit against the developer's obligation to pay FBA fees. In other words, the "need" for the project may occur before there are FBA funds available to cover the cost of the project. The project sheets indicate the fiscal year in which it is anticipated that funds will be available to reimburse or when the developer would take credits against their obligation to pay FBA fees.